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Advertising Age

March 9, 1992

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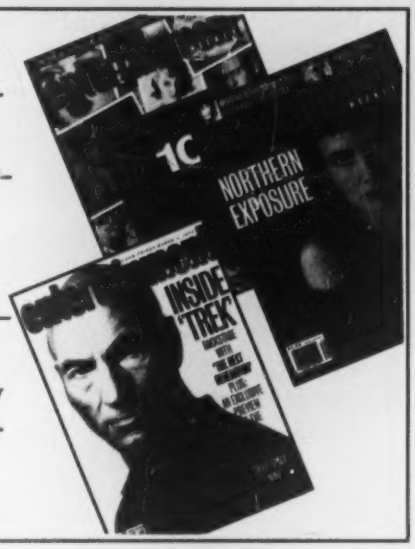
INSIDE



Magazine of the Year: 'Entertainment Weekly.' **After Page 26.**

Price war: P&G's everyday low pricing irritates retailers. **Page 6.**

More Saatchi red ink

Stumbling in Japan, but '92 looks better

By David Kilburn and Laurel Wentz

Saatchi & Saatchi Co. on March 10 is expected to announce that 1991 was another year of losses, at the same time its march to global coverage is stumbling in Japan.

Saatchi will report pretax losses of about $15 million for last year, analysts estimate, compared with 1990 pretax losses of $41.6 million.

However, the reported 1991 losses could appear much higher due to new accounting rules regarding exceptional items. Depending on how the new rules are interpreted, one analyst estimates Saatchi could show a loss of as much as $100 million.

It's believed that Saatchi is trying to cram all possible write-offs into 1991 to clear the way for a return to profit in 1992.

For 1992, analysts are looking at pretax profits of about $30 million for Saatchi.

"They want all the bad news to be in last year's [results]," said one source familiar with Saatchi. "This [year] is [Chief Executive] Robert Louis-Dreyfus' last chance."

Citing an example of costs still out of control, he said the Saatchi holding company is still eating up about $36 million a year, about one-quarter of which is property costs and the rest largely salaries.

"They've still got too many overheads," said an analyst at a London stockbroker. "It applies in the advertising networks and also in the center [parent company]. You've got the Saatchi brothers, then Louis-Dreyfus,

(Continued on Page 47)

Marketers drop 'recycled'

By Jennifer Lawrence

Green marketers are turning yellow.

In the absence of national guidelines, many consumer product marketers are dropping the terms "recycled" and "recyclable" from labeling, even though packaging is still made from recycled material or can be recycled.

This new restraint follows a fever pitch of green merchandising that began two years ago and has received much consumer attention.

Now, Procter & Gamble Co., Kraft General Foods, First Brands Corp., Mary Kay Cosmetics, Andrew Jergens Co. and others say they're backing away from green claims because states' legislation provides widely different definitions of the terms "recycled" and "recyclable."

Companies continue to develop packaging and products that are better for the environment, but many are unwilling to make such claims for fear of violating existing state laws. Just as threatening, they say, is the prospect of yet another state creating new green standards—which could put labels now thought to be legal at risk.

Instead, marketers are revising, dropping or avoiding certain green claims altogether until the Federal Trade Commission or Congress establish national standards.

P&G is in the process of removing from all labels the term "re-

(Continued on Page 48)

Jaguar in hunt for agency

By Jon Lafayette and Ray Serafin

Jaguar Cars last week put its $15 million to $20 million account up for review just as incumbent agency Geer, DuBois welcomed a new president, former J. Walter Thompson USA President Stephen G. Bowen Jr.

Jaguar had been expected to make changes since being acquired by Ford Motor Co. in 1989 for $2.5 billion.

Ford hoped improvements to Jaguar quality and efficiency would enable it to capitalize on the legendary brand image. But the turnaround has been difficult, as Ford found the British automaker's plants less efficient than expected and future product plans in disarray.

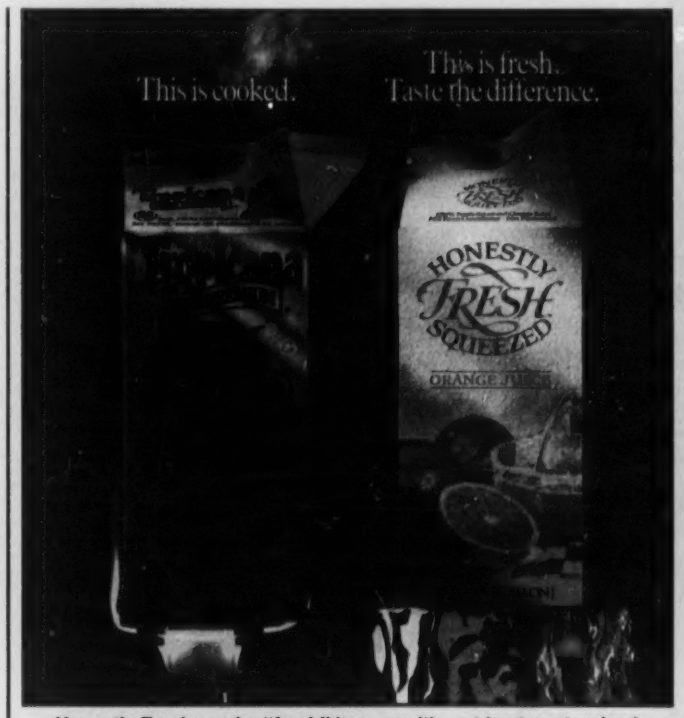
Jaguar lost $596.5 million in 1990 and another $354 million in 1991. U.S. sales dropped by nearly 50%, to 9,376 cars in 1991, though it posted a nearly 18% gain in the first two months of 1992.

Jaguar issued a terse statement saying it's been re-examining all operations with the goal of developing "a greater degree of integrated strategic planning between the company and its external partners."

Hinting at the need for international capabilities lacking at Geer, the statement said Jaguar would evaluate agencies "on the basis of [their] understanding of the challenges of managing a brand image on a global scale."

New York-based Geer will pro-

(Continued on Page 48)



Honestly Fresh can be "fresh" because it's not heat-pasteurized.

A little squirt puts 'fresh' back in OJ

By Judann Dagnoli

A tiny Florida orange juice marketer has found a way to fight the giants with a fresh idea.

Vero Beach Groves produces a juice that it labels fresh, yet has a long shelf life. The product, called Honestly Fresh Squeezed, is only sold in supermarkets in Boston and Madison, Wis., where it's going up against the biggies.

The marketer claims the orange juice can carry the "fresh" label, unlike major marketers' brands, because Honestly Fresh Squeezed isn't heat-pasteurized.

Most fresh-squeezed juices last only three to five days, but Honestly Fresh Squeezed uses a combination of manufacturing and packaging technology to remain fresh for a month, said Judd Brotman, VP-sales and marketing at Vero Beach Groves.

The Food & Drug Administration last year halted dozens of food marketers from calling their heat-processed products fresh, including Procter & Gamble Co.'s Citrus Hill Fresh Choice orange juice. But because heat pasteurization isn't used in Honestly Fresh Squeezed, it seems to meet

(Continued on Page 47)

LAST MINUTE NEWS

AmEx keeps O&M in Latin America

MIAMI—Ogilvy & Mather kept American Express Co.'s $10 million account for a Latin American TV campaign, fending off an aggressive challenge by Young & Rubicam's Wunderman Worldwide unit. Jim Hartenstein, AmEx divisional VP-sales and marketing, said O&M won because of extensive consumer research for its new pan-regional image campaign concept. The new campaign, which replaces separate efforts for AmEx's green card in each of six to eight Latin American countries, will start late next month. Wunderman, which earlier this year won a major AmEx assignment in Europe, keeps the Corporate Card account in Latin America and elsewhere.

Taco Bell kills 39¢ snack line

IRVINE, Calif.—Taco Bell has quietly dropped its 39¢ Fiesta Menu, a line of snacks introduced a year ago. The move suggests fast-food discounting has bottomed out, good news for McDonald's and others that have struggled to match the aggressive pricing of PepsiCo-owned Taco Bell. Foote, Cone & Belding, San Francisco, handles Taco Bell.

Pa. publishers fight tax

PHILADELPHIA—Pennsylvania's 6% tax on magazine subscriptions and newsstand sales is being

(Continued on Page 8)

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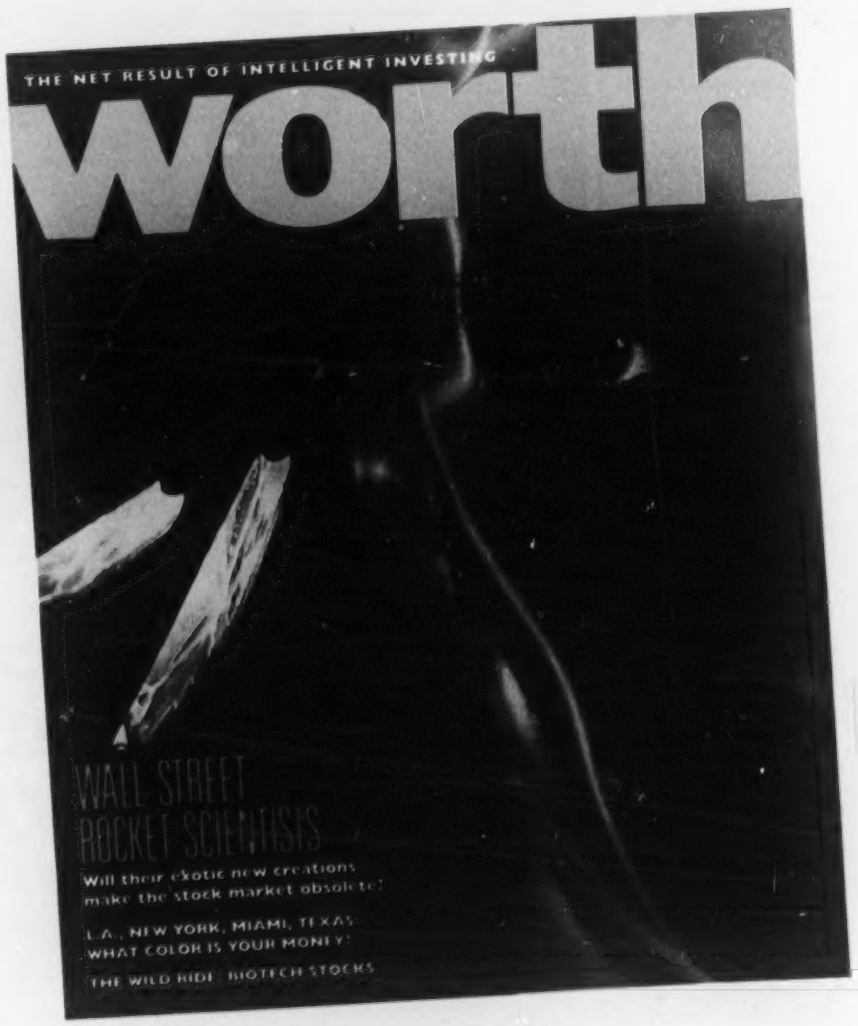
— Charles Trueheart, *WASHINGTON POST*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NEWS SUMMARY

■ **Saatchi & Saatchi Co.** is expected to report another year of losses for 1991. ..... **1**

■ **Green marketing** claims are waning because of varied state regulations and no national guidelines. **1**

■ **Jaguar Cars** last week put its $15 million to $20 million account up for review just as incumbent agency Geer, DuBois welcomed a new president. **1**

■ **MCA** is consolidating $17 million in media buying with DDB Needham. **3**

■ **President Bush's** campaign trimmed pre-Super Tuesday ads, feeling the Buchanan threat had peaked. **3**

■ **Package-goods marketers** were told a new law requires them to adopt the metric system. **4**

■ **Gannett Co.** named Peter A. Spina to head Gannett-work, its unit that develops cross-media advertising deals. ... **4**

■ **Procter & Gamble's** everyday low pricing program is drawing fire from retailers. **6**

■ **Video equipment** that can delete commercials is expected to be common in the U.S. within 10 years. **30**

■ **Research companies** plan more hiring. **30**

■ **'Better Homes & Gardens'** and the American Heart Association are teaming for a health education program. **34**

■ **Toy industry** leaders Hasbro and Mattel are competing in every category, now that Mattel has a games division. **41**

■ **Retail eyeware sales** were up less than 1% last year, and the majors are changing marketing tactics. **46**

■ **Sports trading cards** are getting bigger marketing budgets, both for advertising and special events. **49**

COMPANY INDEX

The following marketers, media and ad agencies received significant mentions in this issue of *Advertising Age*. (This list excludes Last Minute News, For the Record and other news briefs.)

Allcomm Business Communications 12
American Isuzu Motors 50
Arbitron Co. 30
"Better Homes & Gardens" 34
Ciba-Geigy 12
"Cooking Light" S-4
"Country America" S-4
Daimler-Benz 12
DDB Needham Worldwide 3
debis Marketing Services 12
"Entertainment Weekly" S-1
First Brands Corp. 1
Fleer Corp. 49
Ford Motor Co. 3
Frame 'N Lens 46
Gannett Co. 4
Geer, DuBois 1
Goodby, Berlin & Silverstein 50
Great Lakes Bancorp 50
Hasbro 41
Hearst Magazines 3
Information Resources Inc. 30
Jaguar Cars 1
Kraft General Foods 1
Kudos Marketing 12
Leaf 49
LensCrafters 46
Lintas:New York 4
Major League Marketing 49
M/A/R/C Group 30
Market Facts 30
"Martha Stewart Living" S-9
MasterCard International 4
Mattel 41
MCA 3
McCaffrey & McCall 49
The New York Times Co. Magazine Group 48
News America Corp. 8
A.C. Nielsen Co. 30
NuVision 46
"Outside" S-4
"Parenting" S-4
Pearle 46
Perich & Partners 50
Pontiac 40
Pro Set 49
Procter & Gamble Co. 1, 6
Rover Group 12
Saatchi & Saatchi Co. 1
Sterling Optical 46
Sullivan Marketing 8
Symantec Corp. 50
J. Walter Thompson USA 3
Topps Co. 49
Upper Deck Co. 49
"U.S. News & World Report" S-4
Valassis Inserts 8
Vero Beach Groves 1
Wal-Mart Stores 46
Whittle Communications 48
XTree Co. 50
Yomiko Advertising 1

DEPARTMENTS

Ad Review 50
James Brady 25
Brady's Bunch 36
Classifieds 42
Con-Sid-erations 16
Corrections & Clarifications 24
Rance Crain 25
Editorials 16
For the Record 47
Forum 20
Letters 24
MediaWorks 34
People Moving 48
Photo Review 36
Research News 30
Special Report: Magazines ..... after 25
The Next Trend 25

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Eyewear sales slow

Optical retailers adjust tactics due to recession

By Christy Fisher

The recession has cast a harsh glare on the optical industry, with many major eyewear retailers scrambling just to stay alive in the 1990s.

After a decade of out-of-sight growth, sales and new store growth have slowed—thus dispensing with the myth that eyeglass retailing is recession-proof.

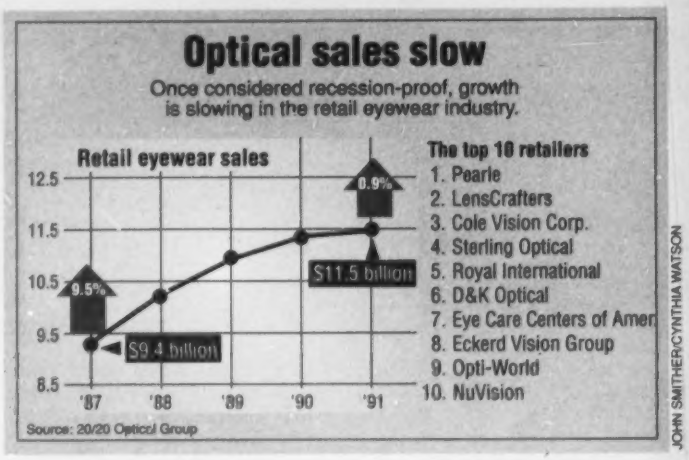
The retail eyewear industry had about $11.5 billion in sales last year, up less than 1% from 1990. Sales were off sharply from the 10%-to-15% annual growth recorded through much of the 1980s, said Marge Axelrad, editorial director of 20/20 Optical Group, which owns trade publications *Vision Monday* and *20/20*.

The recession, coupled with a saturated market, has hurt much of the industry, made up primarily of mom-and-pop retailers.

Grand Metropolitan's Pearle, the No. 1 player, reported a 20.4% drop in sales to $475 million for fiscal year ending Sept. 30, 1991. Also, No. 4 Sterling Optical, a 170-unit chain, filed for Chapter 11 bankruptcy protection in December.

Pearle recently hired Ron Nykiel as its new senior VP-brand strategy and chief marketing officer. Mr. Nykiel has called an agency review for the creative portion of its $45 million account; it will include incumbent Foote, Cone & Belding, Chicago.

Sterling has significantly cut its ad budget and is doing mostly newspaper advertising in-house, instead of using Saatchi & Saatchi Advertising, New York. Sterling spent $3 million in 1990 and $419,200 in the first nine months of 1991, according to LNA/Arbitron Multi-Media Service.



JOHN SMITHER/CYNTHIA WATSON

"The optical industry is in a very serious downturn," said Steve Braasch, senior VP-account director for GSD&M, Austin, Texas, which in December resigned the $2.3 million Texas State Optical account. Glasses "can be a deferred purchase when times get tough. Emergency [replacement] situations are only a small part of the market. Also, the marketplace is overstored . . . There's going to be a shakeout."

Growth in the 1980s was fueled by the building of new stores, the development of new retail concepts such as superstores and 1-hour service centers, and the popularity of designer eyewear, said Ms. Axelrad of 20/20 Optical Group. Growth in the 1990s will come from stealing market share from competitors, she predicted.

One major up-and-coming format appears to be everyday low pricing, industry observers say. Frame 'N Lens, which now has 120 stores, has come on strong over the past couple of years. Davis, Ball & Colombatto, Los Angeles, handles.

No. 2 LensCrafters is also testing a new format called Sight & Save.

Wal-Mart Stores, the nation's top retailer, is testing in-store optical departments—striking fear in the hearts of many optical retailers. It's a move also being tested by LensCrafters, which last month announced it will expand its test of Sight & Save with three in-store locations leased from Kmart Corp.

Everyday low pricing could affect optical retailing the same way it has hit department store and other retailing—splitting the market at the high-end specialty stores and low-end discount stores.

Everyday low pricing could also turn on its head optical advertising, which now consists primarily of two-for-one offers and heavy discounts.

"In my opinion, all of the chains would do better by positioning themselves long-term with brand image, rather than trying to undercut each other with price," said Beth Cevasco, a marketing analyst with Sterling Optical.

NuVision, a chain of 114 stores, has done two-for-one eyeglasses promotions in the past and may do so again, said President Jonathan Raven, who called such promotions attention getters, especially in tough economic times.

"But you have to do a great job on the basics. Two of something is only good if one of something is also good," he said.

NuVision's $5 million ad account is handled by Simons Michelson Zieve, Troy, Mich.

Though optical retailers are struggling with the recession and oversaturation of the market, they see a bright future—due to aging baby boomers. ☐

Contributing to this story: Gary Levin, John Cortez and Bradley Johnson.

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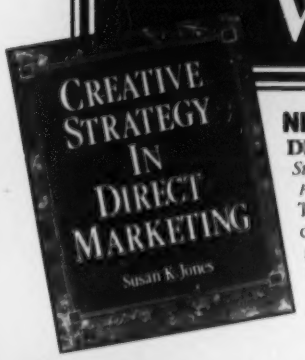

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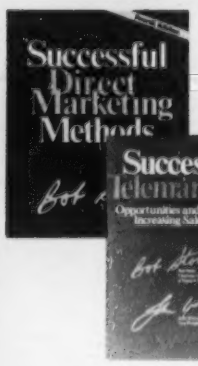

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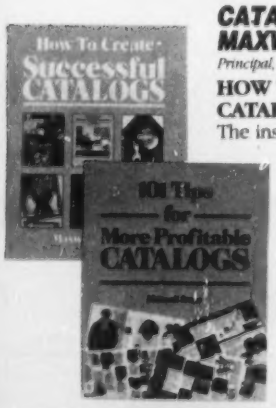

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